



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ June 12, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Reasnor, Iowa.

The City's receipts totaled \$163,037 for the year ended June 30, 2013. The receipts included \$43,468 in property tax, \$40,463 from charges for service, \$68,168 from operating grants, contributions and restricted interest, \$10,930 from local option sales tax and \$8 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2013 totaled \$177,877, and included \$62,699 for community and economic development, \$31,424 for general government and \$23,300 for debt service. Also, disbursements for business type activities totaled \$40,374.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1322-0472-B00F.pdf>.

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**CITY OF REASNOR**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2013**

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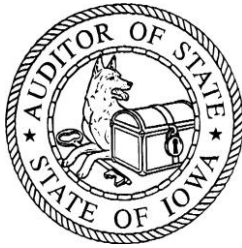
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## City of Reasnor

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rex Satterlee	Mayor	Jan 2014
Scott Jones	Mayor Pro Tem	Jan 2016
Pat Blythe	Council Member	(Resigned May 2013)
Marcelene Woodhouse	Council Member	Jan 2014
Pat Woody	Council Member	Jan 2014
Lucille Cossel	Council Member	Jan 2016
Bobbie Mohler	City Clerk	Indefinite
Gilbert R. Caldwell III	Attorney	Indefinite

**City of Reasnor**



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Telephone (515) 281-5834 Facsimile (515) 242-6134

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the remaining fund information of the City of Reasnor, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

### Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the remaining fund information of the City of Reasnor as of June 30, 2013, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reasnor's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2014 on our consideration of the City of Reasnor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Reasnor's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 24, 2014



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Reasnor provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- The cash basis net position of the City's governmental activities decreased approximately \$5,500, due primarily to increased spending in the General Fund which included disbursements for a FEMA funded demolition project and a timing difference which caused two years of the Sheriff's contract to be paid out during fiscal year 2013. This was offset by local option sales tax and road use tax receipts which were not fully disbursed during the fiscal year.
- The City's total cash basis net position of the City's business type activities decreased approximately \$9,350 due to increased disbursements related to engineering fees and increased interest due on the sewer debt in the current year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the City's indebtedness.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) The proprietary fund accounts for the City's Enterprise Fund. The Enterprise Fund is used to report business type activities. The City maintains one Enterprise Fund to provide information for sewer and sewer maintenance operations.

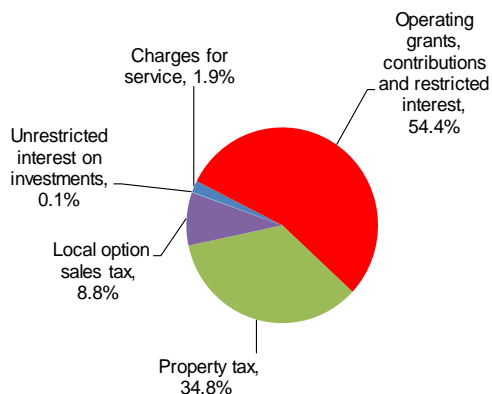
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

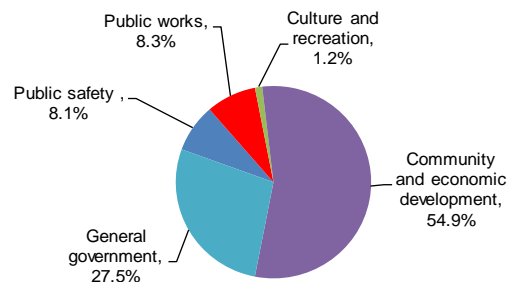
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$107,407 to \$101,920. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30, 2013
Receipts:	
Program receipts:	
Charges for service	\$ 2,372
Operating grants, contributions and restricted interest	68,040
General receipts:	
Property tax	43,468
Local option sales tax	10,930
Unrestricted interest on investments	7
Total receipts	<u>124,817</u>
Disbursements:	
Public safety	9,197
Public works	9,517
Culture and recreation	1,366
Community and economic development	62,699
General government	31,424
Debt service	23,300
Total disbursements	<u>137,503</u>
Change in cash basis net position before transfers	(12,686)
Transfers, net	<u>7,199</u>
Change in cash basis net position	(5,487)
Cash basis net position beginning of year	<u>107,407</u>
Cash basis net position end of year	<u><u>\$ 101,920</u></u>

Receipts by Source



Disbursements by Function



The decrease in cash basis net position was due primarily to increased spending in the General Fund, which included disbursements for a Federal Emergency Management Agency (FEMA) funded demolition project and a timing difference which caused two years of the Sheriff's contract to be paid out during fiscal year 2013. This was offset by local option sales tax and road use tax receipts which were not fully disbursed during the fiscal year.

Changes in Cash Basis Net Position of Business Type Activities	
	Year ended June 30, 2013
Receipts:	
Program receipts:	
Charges for service:	
Sewer	\$ 38,091
Capital grants, contributions and restricted interest	128
General receipts:	
Unrestricted interest on investments	1
Total receipts	<u>38,220</u>
Disbursements:	
Sewer	<u>40,374</u>
Change in cash basis net position before transfers	(2,154)
Transfers, net	<u>(7,199)</u>
Change in cash basis net position	(9,353)
Cash basis net position beginning of year	<u>12,864</u>
Cash basis net position end of year	<u>\$ 3,511</u>

The cash basis net position of the City's business type activities decreased \$9,353 to \$3,511 due to increased disbursements associated with sewer engineering fees and an increase in interest paid on the sewer debt.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Reasnor completed the year, its governmental funds reported a combined fund balance of \$101,920, a decrease of approximately \$5,500 from the prior year. The following are the primary reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$13,347 from the prior year to \$24,711. This decrease is attributable to an increase in operating disbursements, payments of two years of the Sheriff's contract due to a timing difference in the billing and costs associated with a demolition project for which reimbursement has not yet been received.
- The Special Revenue, Road Use Tax Fund cash balance increased \$2,609 to \$17,459 during the fiscal year. This increase was attributable to the City receiving more road use tax receipts than were disbursed during the fiscal year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$3,431 over the prior year to \$60,706. The increase in cash balance is due to the City not spending all of the local option sales tax receipts in the current year. Transfers of \$6,457 to the Enterprise, Sewer Fund were used to pay engineering costs on a sewer project completed in the prior year.
- The Debt Service Fund cash balance increased \$1,820 to a deficit of \$1,347 during the fiscal year, which was due to levied taxes exceeding the principal and interest payments.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased \$9,353 to \$3,511 due to an increase in disbursements for engineering costs for sewer repair, payment of a fine to the Iowa Department of Natural Resources and increased interest on the sewer debt.

## BUDGETARY HIGHLIGHTS

During the fiscal year, the City amended its budget once. The amendment was approved on March 11, 2013 and resulted in an increase in budgeted operating disbursements of \$140,500, due primarily to capital projects costs associated with the demolition of three houses and a demolition project on South Main. However, the South Main project was not started prior to the end of the fiscal year.

The City collected \$90,837 less in receipts than the budgeted amount of \$253,874, primarily due to budgeting for intergovernmental funds not received because the South Main demolition project was not started during the fiscal year.

Total disbursements for the year were \$117,228 less than budgeted, due in part to the South Main demolition project not being started in fiscal year 2013. The City exceeded the amounts budgeted in the community and economic development function for the year ended June 30, 2013 due to the FEMA-funded house demolition project being budgeted as capital projects but being recorded in the City's ledgers under the community and economic development function. The City also exceeded the amount budgeted in the debt service function due to not including total debt disbursements in the budget amendment.

## DEBT ADMINISTRATION

At June 30, 2013, the City had \$285,999 of notes outstanding, compared to \$303,999 last year.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation notes	\$ 165,000	180,000
Sewer revenue notes	120,999	123,999
Total	\$ 285,999	303,999

Debt decreased as a result of making payments on existing debt. No new debt was issued during the fiscal year. \$5,001 remains to be drawn on the sewer revenue notes pending submission of final documents.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$165,000 is significantly below its constitutional debt limit of approximately \$267,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Reasnor's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. The City's fiscal year 2014 assessed value has increased almost \$75,000 over the fiscal year 2013 level.

The fiscal year 2014 budget contains total receipts of \$258,426 and disbursements of \$297,978. If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$40,000 by the close of fiscal year 2014.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk at P.O. Box 68, Reasnor, Iowa 50232-0068.

## **Basic Financial Statements**

City of Reasnor

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

		Program Receipts	
		Operating Grants, Contributions and Restricted Interest	
	Disbursements	Charges for Service	Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 9,197	-	-
Public works	9,517	1,767	6,764
Culture and recreation	1,366	-	-
Community and economic development	62,699	-	61,276
General government	31,424	605	-
Debt service	23,300	-	-
Total governmental activities	137,503	2,372	68,040
Business type activities:			
Sewer	40,374	38,091	128
Total	\$ 177,877	40,463	68,168
<b>General Receipts and Transfers:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position</b>			
Restricted:			
Expendable:			
Streets			
Debt service			
Local option sales tax purposes			
Other purposes			
Unrestricted			
<b>Total cash basis net position</b>			
See notes to financial statements.			



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Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

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Governmental Activities	Business Type Activities	Total
(9,197)	-	(9,197)
(986)	-	(986)
(1,366)	-	(1,366)
(1,423)	-	(1,423)
(30,819)	-	(30,819)
(23,300)	-	(23,300)
(67,091)	-	(67,091)
-	(2,155)	(2,155)
(67,091)	(2,155)	(69,246)

31,781	-	31,781
11,687	-	11,687
10,930	-	10,930
7	1	8
7,199	(7,199)	-
61,604	(7,198)	54,406
(5,487)	(9,353)	(14,840)
107,407	12,864	120,271
\$ 101,920	3,511	105,431

\$ 17,459	-	17,459
-	565	565
60,706	-	60,706
391	-	391
23,364	2,946	26,310
\$ 101,920	3,511	105,431

City of Reasnor

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 31,781	-	-
Other city tax	-	-	10,930
Licenses and permits	605	-	-
Use of money and property	7	-	-
Intergovernmental	59,978	6,764	-
Charges for service	1,767	-	-
Miscellaneous	1,298	-	-
Total receipts	95,436	6,764	10,930
Disbursements:			
Operating:			
Public safety	9,197	-	-
Public works	5,362	4,155	-
Culture and recreation	1,242	-	124
Community and economic development	61,781	-	918
General government	31,424	-	-
Debt service	-	-	-
Total disbursements	109,006	4,155	1,042
Excess (deficiency) of receipts over (under) disbursements	(13,570)	2,609	9,888
Other financing sources (uses):			
Operating transfers in	418	-	-
Operating transfers out	(195)	-	(6,457)
Total other financing sources (uses)	223	-	(6,457)
Change in cash balances	(13,347)	2,609	3,431
Cash balances beginning of year	38,058	14,850	57,275
Cash balances end of year	\$ 24,711	17,459	60,706
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	17,459	-
Other purposes	-	-	60,706
Unassigned	24,711	-	-
Total cash basis fund balances	\$ 24,711	17,459	60,706

See notes to financial statements.

Debt Service	Nonmajor Special Revenue I-Jobs	Total
11,687	-	43,468
-	-	10,930
-	-	605
-	-	7
-	-	66,742
-	-	1,767
-	-	1,298
11,687	-	124,817
-	-	9,197
-	-	9,517
-	-	1,366
-	-	62,699
-	-	31,424
23,300	-	23,300
23,300	-	137,503
(11,613)	-	(12,686)
13,433	-	13,851
-	-	(6,652)
13,433	-	7,199
1,820	-	(5,487)
(3,167)	391	107,407
(1,347)	391	101,920
-	-	17,459
-	391	61,097
(1,347)	-	23,364
(1,347)	391	101,920

**City of Reasnor**

City of Reasnor

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Proprietary Fund

As of and for the year ended June 30, 2013

	Enterprise Sewer
Operating receipts:	
Charges for service	\$ 38,091
Operating disbursements:	
Business type activities	33,324
Excess of operating receipts over operating disbursements	4,767
Non-operating receipts (disbursements):	
Interest on investments	1
Miscellaneous	128
Debt service	(7,050)
Net non-operating receipts (disbursements)	(6,921)
Deficiency of receipts under disbursements	(2,154)
Transfers:	
Transfers in	6,652
Transfers out	(13,851)
Net transfers	(7,199)
Change in cash balance	(9,353)
Cash balance beginning of year	12,864
Cash balance end of year	\$ 3,511
<b>Cash Basis Fund Balance</b>	
Restricted for debt service	\$ 565
Unrestricted	2,946
Total cash basis fund balance	\$ 3,511
See notes to financial statements.	

City of Reasnor

Notes to Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

The City of Reasnor is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utility service for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Reasnor has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jasper County Assessor's Conference Board, Jasper County Emergency Management Commission and Newton Sanitary Landfill.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining governmental fund is reported as a nonmajor governmental fund.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the City's local option sales tax (LOST) receipts to be used for property tax relief and community betterment.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the community and economic development and the debt service functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.



The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### **(3) Notes Payable**

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 15,000	7,230	22,230
2015	15,000	6,645	21,645
2016	15,000	6,045	21,045
2017	15,000	5,430	20,430
2018	15,000	4,800	19,800
2019-2023	90,000	13,330	103,330
Total	\$ 165,000	43,480	208,480

#### Sewer Revenue Notes

On December 28, 2011, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$132,000 of sewer revenue capital loan notes with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of improvements to the sewer treatment plant. At June 30, 2013, the City had drawn \$126,999 of the \$132,000 authorized amount. An initiation fee of \$1,320 (1% of the authorized borrowing for the sewer revenue capital loan notes) was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the sewer revenue notes drawn by the City during the year ended June 30, 2012. During the year ended June 30, 2013, the City paid principal of \$3,000 and interest of \$3,720 on the notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue notes. The notes are payable solely from sewer customer net receipts. The total amount of principal and interest remaining to be paid on the notes at June 30, 2013 is not available since a final repayment schedule has not been adopted. For the current year, principal and interest paid and total customer net receipts were \$6,720 and \$4,767, respectively. Annual principal and interest payments on the notes required approximately 141% of net receipts.

The resolution providing for the issuance of the sewer revenue notes issued under the loan agreement includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

For the year ended June 30, 2013, the City's net receipts were less than the required 110% of note principal and interest falling due during the year.

#### **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013 was \$1,907, equal to the required contribution for the year.

#### **(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise: Sewer	\$ 418
Debt Service	Enterprise: Sewer	13,433
Enterprise: Sewer	General	195
	Special Revenue: Local Option Sales Tax	6,457
		6,652
Total		\$ 20,503

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(6) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Deficit Balance**

The Debt Service Fund had a deficit balance of \$1,347 at June 30, 2013. The deficit will be eliminated upon receipt of further sewer fees earmarked for payment of the general obligation notes.

**(8) Commitment**

In May 2013, the City entered into a contract for \$68,645 for a demolition and disposal project. The contract was amended to \$68,915 on June 25, 2013. The project was completed on July 8, 2013. At June 30, 2013, no payments to the contractor had been made.

**(9) Subsequent Event**

In April 2014, the City paid \$19,092 to Maxwell Construction, Inc. for sewer line repair.

**City of Reasnor**

### **Other Information**

City of Reasnor

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Property tax	\$ 43,468	-
Other city tax	10,930	-
Licenses and permits	605	-
Use of money and property	7	1
Intergovernmental	66,742	-
Charges for service	1,767	38,091
Special assessments	-	-
Miscellaneous	1,298	128
Total receipts	124,817	38,220
Disbursements:		
Public safety	9,197	-
Public works	9,517	-
Health and social services	-	-
Culture and recreation	1,366	-
Community and economic development	62,699	-
General government	31,424	-
Debt service	23,300	-
Capital projects	-	-
Business type activities	-	40,374
Total disbursements	137,503	40,374
Excess of receipts over disbursements	(12,686)	(2,154)
Other financing sources, net	7,199	(7,199)
Deficiency of receipts and other financing sources under disbursements and other financing uses	(5,487)	(9,353)
Balances beginning of year	107,407	12,864
Balances end of year	\$ 101,920	3,511

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
43,468	39,090	39,927	3,541
10,930	13,837	14,480	(3,550)
605	490	640	(35)
8	400	400	(392)
66,742	8,100	153,527	(86,785)
39,858	41,200	41,200	(1,342)
-	1,900	1,900	(1,900)
1,426	1,800	1,800	(374)
163,037	106,817	253,874	(90,837)
9,197	15,550	15,550	6,353
9,517	19,550	19,800	10,283
-	500	500	500
1,366	3,700	3,700	2,334
62,699	4,000	4,000	(58,699)
31,424	56,225	43,555	12,131
23,300	9,080	9,080	(14,220)
-	-	145,427	145,427
40,374	46,000	53,493	13,119
177,877	154,605	295,105	117,228
(14,840)	(47,788)	(41,231)	26,391
-	-	-	-
(14,840)	(47,788)	(41,231)	26,391
120,271	90,269	90,269	30,002
105,431	42,481	49,038	56,393

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City of Reasnor

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$140,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the community and economic development and the debt service functions.



## **Supplementary Information**

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City of Reasnor  
Schedule of Indebtedness  
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan notes, Series 2008	Jul 8, 2008	3.25-4.80%	\$ 210,000
Revenue notes:			
Sewer	Dec 28, 2011	3.00% *	\$ 132,000

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
180,000	-	15,000	165,000	7,800
123,999	-	3,000	120,999	3,720

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**Schedule 2**

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City of Reasnor

Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation Capital Loan Notes, Series 2008 Issued Jul 8, 2008	
	Interest	
	Rates	Amount
2014	3.90%	\$ 15,000
2015	4.00	15,000
2016	4.10	15,000
2017	4.20	15,000
2018	4.30	15,000
2019	4.40	15,000
2020	4.50	15,000
2021	4.60	20,000
2022	4.70	20,000
2023	4.80	20,000
Total		<u>\$ 165,000</u>

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the remaining fund information of the City of Reasnor, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2014. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Reasnor's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Reasnor's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Reasnor's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Reasnor's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (H) to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Reasnor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


## The City of Reasnor's Responses to the Findings


The City of Reasnor's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Reasnor's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Reasnor during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 24, 2014

City of Reasnor  
Schedule of Findings  
Year Ended June 30, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person had control over each of the following areas:
- (1) Accounting system – performance of all general accounting functions, including journal entries, and custody of assets.
  - (2) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash. Bank reconciliations were not reviewed by an independent person.
  - (3) Petty cash – reconciling petty cash, handling cash receipts, custody and replenishment of petty cash fund.
  - (4) Investments – detailed record keeping, custody and reconciling.
  - (5) Receipts – opening mail, collecting, depositing, posting and reconciling. In addition, no initial listing of receipts is prepared.
  - (6) Utility receipts – billing, collecting, depositing and posting.
  - (7) Disbursements – purchasing, processing invoices, check preparation and signing, recording and reconciling.
  - (8) Payroll – preparing and signing checks and recording transactions.
  - (9) Long-term debt – recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. Currently available personnel, including elected officials, should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of review. In addition, an initial listing of receipts should be prepared and the list should be reconciled by an independent person to the deposit records to ensure all documented receipts were deposited.

Response – The City Council will either designate a Council member to review the financial transactions and initial when done or will hire an individual to do so.

Conclusion - Response accepted.

- (B) Financial Reporting – During the audit, we identified a material payment of debt on a general obligation note which was made from the Enterprise, Sewer Fund rather than the Debt Service Fund. An adjustment was subsequently made by the City to properly report this amount in the City's financial statements.

Recommendation – The City should make debt payments on the general obligation notes from the Debt Service Fund.

Response – Going forward, the general obligation bond payment will be paid from the Debt Service Fund.

Conclusion – Response accepted.

City of Reasnor  
Schedule of Findings  
Year Ended June 30, 2013

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled on a monthly basis and the reconciliations and delinquent account listings were not reviewed by the City Council.

In addition, the accounts of two City Council members were in a delinquent status at June 30, 2013.

Recommendation – Monthly utility reconciliations should be prepared and the reconciliations and delinquent account listings should be reviewed and approved by the City Council. The delinquent accounts for the two City Council members should be paid and future billings should be paid when due.

Response – The utility account will be reconciled on a monthly basis and the utility delinquent listing will be presented to the City Council every month for its approval. Evidence of approval will be documented in the minutes record. The Council members whose accounts were delinquent are now current.

Conclusion – Response accepted.

- (D) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts for Iowa City Governments recommended by the City Finance Committee.

Recommendation – To provide better financial information and control, the Uniform Chart of Accounts recommended by the City Finance Committee should be followed by the City.

Response – The City will try to utilize the Chart of Accounts recommended by the City Finance Committee.

Conclusion – Response accepted.

- (E) Accounting Procedures Manual – We encourage the development of office procedures and standardized accounting manuals for the City. These manuals and guides should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Improve the efficiency and understanding of steps to perform for running monthly financial reports and retrieving management information.

Recommendation – Office procedures and accounting manuals should be developed for the City.

Response – Office procedures and accounting manuals will be developed.

Conclusion – Response accepted.



City of Reasnor  
Schedule of Findings  
Year Ended June 30, 2013

- (F) Computer Systems – During our review of internal control, the existing control activities in the City's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The City does not maintain computer back-ups off-site. Additionally, the City's disaster recovery plan does not address the recovery of financial operations in the event of a disaster.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its computer systems. The written disaster recovery plan should be amended to include the recovery of financial operations.

Response – The City Council will address the recovery of financial operations within the City's disaster recovery plan and will back up all records and keep them in an off-site location.

Conclusion – Response accepted.

- (G) Petty Cash – The petty cash maintained by the City is not reflected in the book balances. In addition, petty cash is not maintained on an imprest basis and the amount of cash and vouchers in petty cash exceeded the authorized amount.

Recommendation – The City should include petty cash balances in the City's financial records. The petty cash fund should be maintained on an imprest basis and petty cash and vouchers should be periodically reconciled to the authorized amount.

Response – The Clerk will include petty cash balances in the City's financial records. Petty cash will be maintained on an imprest basis. The City Council will devise a plan to reconcile the petty cash records.

Conclusion – Response accepted.

- (H) Payroll – An incorrect social security withholding rate was used in payroll calculations from January 2013 through June 2013. The 941 report for the first quarter of calendar year 2013 had not been amended by January 2014. In addition, the City Clerk was overpaid by \$132 due to using the incorrect rate.

Recommendation – The City should ensure proper rates are used in payroll calculations. The 941 report for the first quarter of 2013 should be amended and the City should seek reimbursement of amounts overpaid.

Response – The City will ensure proper rates are used in payroll calculations. The previous clerk has reimbursed the U.S. Department of Treasury and the City for amounts overpaid as appropriate.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Reasnor  
Schedule of Findings  
Year Ended June 30, 2013

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the community and economic development and the debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, the budget will be amended prior to disbursements exceeding the budgeted amount.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mike Mohler, spouse of City Clerk, Owner of Mike’s Machine Repair	Equipment repair	\$ 717

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the aCity Clerk’s spouse do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not. However, certain minutes were not properly signed.

Recommendation – The City should ensure minutes documenting City Council actions are properly signed.

Response – The City Council will implement a procedure to ensure all minute documents are properly signed.

Conclusion – Response accepted.

City of Reasnor  
Schedule of Findings  
Year Ended June 30, 2013

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Response – The City Council will adopt an investment policy to comply with the Code of Iowa in regards to investments.

Conclusion – Response accepted.

- (8) Revenue Notes – The sewer revenue note agreement requires sewer rates be established which are sufficient to produce net receipts at least equal to 110% of the principal and interest coming due in the succeeding fiscal year. The City did not meet the 110% net receipt requirement.

Recommendation – The City should adopt sewer rates sufficient to produce net receipts at least equal to 110% of the principal and interest payments due each year.

Response – The Council is reviewing the current sewer rates in order to meet the 110% net receipt requirement, has hired a sewer operator at a substantially lower rate than the previous one and will not be paying a sewer clerk wage.

Conclusion – Response accepted.

- (9) Payment of General Obligation Notes – The City's general obligation notes were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund." An adjustment was subsequently made by the City to properly report this amount in the City's financial statements.

Recommendation – The City should ensure payments on general obligation debt are properly paid from the Debt Service Fund.

Response – The City Clerk will ensure the payments are made from the Debt Service Fund and if there are questions, will seek advice from the auditor.

Conclusion – Response accepted.

- (10) Employee Benefits Levy – Pursuant to Chapter 384.6 of the Code of Iowa, the City levies a tax for payment of costs related to employee benefits. The City accounts for the levied tax and related disbursements in the General Fund.

Recommendation – The City should establish a Special Revenue, Employee Benefits Fund to account for the levied taxes and the related disbursements for employee benefits.

Response – A Special Revenue, Employee Benefit Fund will be added to the books to ensure proper recording of levied taxes and related disbursements for employee benefits.

Conclusion – Response accepted.

- (11) Annual Financial Report – We were unable to trace certain amounts reported in the 2013 Annual Financial Report to the City's records. In addition, certain transactions were reported in the wrong column of the Annual Financial Report.

City of Reasnor  
Schedule of Findings  
Year Ended June 30, 2013

Recommendation – The errors in the Annual Financial Report should be corrected and the report should be resubmitted.

Response – The Annual Financial Report will be corrected and resubmitted.

Conclusion – Response accepted.

- (12) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not properly retain electronic images of cancelled checks.

Recommendation – The City should retain an image of both the front and back of each cancelled check as required.

Response – The City Council will contact the banks and request both front and back images of the cancelled checks.

Conclusion – Response accepted.

- (13) Financial Condition – The City had a deficit balance of \$1,347 in the Debt Service Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – The City Council is looking into ways to eliminate this deficit. It has hired a sewer operator at a lower cost than the previous one and eliminated the sewer clerk wage. The City Council will also look into the sewer rates.

Conclusion – Response accepted.

- (14) I-JOBS Funding – As part of the 2009 I-JOBS legislation, cities receiving I-JOBS funding were required to expend the I-JOBS monies received within two years of receipt. The City did not expend \$391 of the I-JOBS funding within two years as required.

Recommendation – The City should contact the Iowa Department of Transportation (IDOT) to determine the disposition of this matter.

Response – The City will make contact with IDOT in reference to this situation.

Conclusion – Response accepted.

City of Reasnor

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Kirstie R. Hill, Staff Auditor  
Megan E. Irvin, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State